

Senate File 331 - Introduced

SENATE FILE 331
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 1151)

A BILL FOR

1 An Act relating to the insurance fraud bureau, criminal history
2 checks for licenses granted by the insurance division, and
3 resolving inconsistencies.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 502.604A, Code 2019, is amended to read
2 as follows:

3 **502.604A ~~Limited law~~ Law enforcement authority.**

4 The administrator or the administrator's designee, when
5 carrying out the provisions of section 502.603 or 502.604, may
6 develop, share, and receive information related to any law
7 enforcement purpose, including any criminal investigation.
8 ~~The administrator or designee shall not have the authority to~~
9 ~~issue criminal subpoenas or make arrests. The administrator~~
10 ~~or designee shall not be considered a peace officer, including~~
11 ~~as provided in chapter 801.~~ An insurance fraud bureau
12 investigator shall be authorized to conduct an investigation
13 under article 5 of this chapter and shall have law enforcement
14 authority pursuant to section 507E.8.

15 Sec. 2. Section 507E.2, Code 2019, is amended to read as
16 follows:

17 **507E.2 Purpose Insurance fraud bureau.**

18 1. An insurance fraud bureau is created within the insurance
19 division. Upon a reasonable determination by the division,
20 by its own inquiries or as a result of ~~complaints~~ a complaint
21 filed with the division, that a person has engaged in, is
22 engaging in, or may be engaging in an act or practice that
23 violates ~~this chapter~~ or any other provision of the insurance
24 code subject to the jurisdiction of the commissioner, the
25 division may administer oaths and affirmations, serve subpoenas
26 ordering the attendance of witnesses, and collect evidence
27 related to such act or practice.

28 2. The commissioner shall dedicate a minimum of two
29 insurance fraud bureau investigators to the investigation of
30 suspected workers' compensation fraud.

31 Sec. 3. Section 507E.5, subsection 5, Code 2019, is amended
32 to read as follows:

33 5. An insurance fraud bureau investigator or other staff
34 member of the bureau is not subject to subpoena in a civil
35 action concerning any matter of which the bureau investigator

1 or other staff member has knowledge pursuant to a pending or
2 continuing investigation being conducted by the bureau pursuant
3 to this chapter.

4 Sec. 4. Section 507E.8, Code 2019, is amended to read as
5 follows:

6 **507E.8 Law enforcement ~~officer~~ status authority.**

7 1. ~~Bureau investigators~~ For purposes of an arrest resulting
8 from a criminal violation of any provision of the Code subject
9 to the jurisdiction of the commissioner established as a result
10 of an investigation pursuant to this chapter, an insurance
11 fraud bureau investigator shall have the ~~power~~ authority and
12 status of a law enforcement ~~officers~~ who by the nature of their
13 duties may be required to perform the duties of a peace officer
14 when making arrests for criminal violations established as a
15 result of their investigations pursuant to ~~this chapter~~ officer
16 pursuant to section 80B.3, subsection 3.

17 2. The ~~general~~ laws applicable to ~~arrests~~ an arrest by a
18 law enforcement ~~officers~~ officer of the state also apply to
19 an insurance fraud bureau investigators investigator. Bureau
20 ~~investigators~~ An insurance fraud bureau investigator shall
21 have the power to execute arrest warrants and search warrants
22 for the same criminal violations, serve subpoenas issued for
23 the examination, investigation, and trial of all offenses
24 identified through ~~their investigations~~ the course of an
25 investigation conducted pursuant to this section, and arrest
26 upon probable cause without warrant a person found in the act
27 of committing a violation of ~~the provisions~~ a provision of this
28 chapter.

29 Sec. 5. Section 508E.3, Code 2019, is amended to read as
30 follows:

31 **508E.3 License requirements.**

32 1. a. A person shall not operate as a viatical settlement
33 provider or viatical settlement broker without first obtaining
34 a license from the commissioner of the state of residence of
35 the viator.

1 ~~b. (1) A life insurance producer who has been duly licensed~~
 2 ~~as a resident insurance producer with a life line of authority~~
 3 ~~in this state or the life insurance producer's home state for~~
 4 ~~at least one year immediately prior to operating as a viatical~~
 5 ~~settlement broker and is licensed as a nonresident producer in~~
 6 ~~this state shall be deemed to meet the licensing requirements~~
 7 ~~of this section and shall be permitted to operate as a viatical~~
 8 ~~settlement broker.~~

9 ~~(2) Not later than thirty days from the first day of~~
 10 ~~operating as a viatical settlement broker, the life insurance~~
 11 ~~producer shall notify the commissioner that the life insurance~~
 12 ~~producer is acting as a viatical settlement broker on a form~~
 13 ~~prescribed by the commissioner, and shall pay any applicable~~
 14 ~~fee of up to one hundred dollars as provided by rules adopted~~
 15 ~~by the commissioner. The notification shall include an~~
 16 ~~acknowledgment by the life insurance producer that the life~~
 17 ~~insurance producer will operate as a viatical settlement broker~~
 18 ~~in accordance with this chapter. The notification shall also~~
 19 ~~include proof that the life insurance producer is covered by an~~
 20 ~~errors and omissions policy for an amount of not less than one~~
 21 ~~hundred thousand dollars per occurrence and not less than one~~
 22 ~~hundred thousand dollars total annual aggregate for all claims~~
 23 ~~during the policy period.~~

24 ~~{3} b. The An insurer that issued the a policy being~~
 25 ~~viaticated shall not be responsible for any act or omission of~~
 26 ~~a viatical settlement broker or viatical settlement provider~~
 27 ~~arising out of or in connection with the viatical settlement~~
 28 ~~transaction, unless the insurer receives compensation for the~~
 29 ~~placement of a viatical settlement contract from the viatical~~
 30 ~~settlement provider or viatical settlement broker in connection~~
 31 ~~with the viatical settlement contract.~~

32 ~~c. A person licensed as an attorney, certified public~~
 33 ~~accountant, or financial planner accredited by a nationally~~
 34 ~~recognized accreditation agency who is retained to represent~~
 35 ~~the a viator, whose compensation is not paid directly or~~

1 indirectly by the viatical settlement provider, may negotiate a
 2 viatical settlement ~~contracts~~ contract on behalf of the viator
 3 without having to obtain a license as a viatical settlement
 4 broker.

5 2. An application for a viatical settlement provider
 6 or viatical settlement broker license shall be made to the
 7 commissioner by the applicant on a form prescribed by the
 8 commissioner, and the application shall be accompanied by a
 9 fee of not more than one hundred dollars as provided by rules
 10 adopted by the commissioner.

11 3. ~~The~~ A viatical settlement provider or viatical
 12 settlement broker license term shall be three years and the
 13 license may be renewed upon payment of ~~the~~ a renewal fee of not
 14 more than one hundred dollars as provided by rules adopted by
 15 the commissioner. A failure to pay the fee by the renewal date
 16 ~~results~~ shall result in expiration of the license.

17 4. An applicant shall provide information on forms
 18 required by the commissioner and shall meet all requirements
 19 pursuant to section 522B.5A if required by the commissioner.
 20 The commissioner shall have the authority, ~~at any time,~~ to
 21 require ~~the~~ an applicant to fully disclose the identity of
 22 all stockholders, partners, officers, members, and employees,
 23 ~~and the.~~ The commissioner may, in the ~~exercise of the~~
 24 commissioner's discretion, refuse to issue a license ~~in the~~
 25 ~~name of a legal entity to such applicant~~ if not satisfied that
 26 any officer, employee, stockholder, partner, ~~or~~ member thereof,
 27 or employee who may materially influence the applicant's
 28 conduct meets the standards of this chapter.

29 ~~5. A license issued to a legal entity authorizes all~~
 30 ~~partners, officers, members, and designated employees to act as~~
 31 ~~viatical settlement providers or viatical settlement brokers,~~
 32 ~~as applicable, under the license, and all those persons~~
 33 ~~shall be named in the application and any supplements to the~~
 34 ~~application.~~

35 ~~6.~~ 5. Upon the filing of an application and the payment of

1 the license fee, the commissioner shall ~~make an investigation~~
2 ~~of~~ investigate each applicant and issue a license if the
3 commissioner finds that the applicant complies with all of the
4 following:

5 ~~a.~~ If a viatical settlement provider, has provided a
6 detailed plan of operation.

7 ~~b.~~ Is competent and trustworthy and intends to act in good
8 faith in the capacity involved by the license applied for.

9 ~~c.~~ Has a good business reputation and has had experience,
10 training, or education so as to be qualified in the business
11 for which the license is applied for.

12 ~~d.~~ If a legal entity, provides a certificate of good
13 standing from the state of its domicile.

14 ~~e.~~ d. If a viatical settlement provider or viatical
15 settlement broker, has provided an antifraud plan ~~that meets~~
16 ~~the requirements of~~ pursuant to [section 508E.15, subsection 7.](#)

17 ~~7.~~ 6. The commissioner shall not issue a license to a
18 nonresident applicant unless a written designation of an
19 agent for service of process is filed and maintained with the
20 commissioner or the applicant has filed with the commissioner
21 the applicant's written irrevocable consent that any action
22 against the applicant may be commenced against the applicant by
23 service of process on the commissioner. If an applicant files
24 such consent, service of process made on the commissioner as
25 the agent for service of process shall be made as provided in
26 section 505.30.

27 ~~8.~~ 7. A viatical settlement provider or viatical settlement
28 broker shall provide to the commissioner new or revised
29 information about officers, ten-percent-or-more stockholders,
30 partners, directors, members, or designated employees within
31 thirty days of the change.

32 ~~9.~~ 8. An individual licensed as a viatical settlement
33 broker shall complete on a triennial basis running concurrent
34 with the license term twenty credits of training related to
35 viatical settlements and viatical settlement transactions, as

1 required by the commissioner; ~~provided, however, that a life~~
2 ~~insurance producer who is operating as a viatical settlement~~
3 ~~broker pursuant to subsection 1, paragraph "b", shall not be~~
4 ~~subject to the requirements of this subsection.~~ Any person
5 failing to meet the requirements of **this subsection** shall be
6 subject to the penalties imposed by the commissioner.

7 ~~10.~~ **9.** Fees collected pursuant to **this section** shall be
8 deposited as provided in **section 505.7.**

9 Sec. 6. Section 522B.5, subsection 1, unnumbered paragraph
10 1, Code 2019, is amended to read as follows:

11 A person applying for a resident insurance producer license
12 shall make application to the commissioner on the uniform
13 application, meet all requirements pursuant to section 522B.5A,
14 and declare under penalty of refusal, suspension, or revocation
15 of the license that ~~the~~ all statements made in the application
16 are true, correct, and complete to the best of the individual's
17 knowledge and belief. Before approving the application, the
18 commissioner shall find all of the following:

19 Sec. 7. **NEW SECTION. 522B.5A Criminal history check.**

20 1. In determining eligibility for licensure, the
21 commissioner is authorized to require an applicant pursuant to
22 subsection 2 to provide to the commissioner the applicant's
23 fingerprints and reasonable fees required to perform a state
24 criminal history check through the department of public safety,
25 division of criminal investigation, and a national criminal
26 history check through the federal bureau of investigation. By
27 submitting such fingerprints, the applicant authorizes the
28 commissioner to do all of the following:

29 a. Submit the applicant's fingerprints to the department
30 of public safety, division of criminal investigation, for
31 submission to the federal bureau of investigation for the
32 purpose of conducting a national criminal history check.

33 b. Receive the results of the state and national criminal
34 history checks.

35 2. The commissioner is authorized to require a state and

1 national criminal history check on each applicant that applies
2 for any of the following:

3 *a.* An initial license in Iowa as a resident insurance
4 producer.

5 *b.* An initial license or an additional line of authority
6 under a nonresident insurance producer license if a state and
7 national criminal history check has not already been completed.

8 *c.* A renewal, reinstatement, or reissuance of a license
9 if the license of a producer has been revoked or suspended
10 pursuant to section 522B.11, the license of a public adjuster
11 has been revoked or suspended pursuant to section 522C.6, or
12 the license of a viatical settlement provider or viatical
13 settlement broker has been revoked or suspended pursuant to
14 section 508E.4.

15 *d.* An initial license as a viatical settlement provider or
16 viatical settlement broker in this state.

17 *e.* An initial license as a public adjuster in this state.

18 3. The commissioner shall require an applicant pursuant to
19 subsection 2 to submit a full set of fingerprints and any other
20 required identifying information to the commissioner on a form
21 prescribed by the department of public safety.

22 4. The commissioner may contract with a third-party
23 vendor for the collection and transmission of an applicant's
24 fingerprints for the purpose of conducting a state and
25 national criminal history check. The commissioner may agree
26 to reasonable fees to be charged by the third-party vendor and
27 may require such reasonable fees to be paid by the applicant
28 directly to the third-party vendor.

29 5. The results of a criminal history check conducted
30 pursuant to this section shall not be considered a public
31 record pursuant to chapter 22. An applicant's fingerprints and
32 any criminal history check information shall not be subject to
33 subpoena, other than a subpoena issued in a criminal action or
34 investigation, shall be confidential by law and privileged, and
35 shall not be subject to discovery or be admissible in evidence

1 in a private civil action.

2 Sec. 8. Section 522C.5, Code 2019, is amended to read as
3 follows:

4 **522C.5 Application for license.**

5 1. A person applying for a public adjuster license shall
6 make application on a uniform individual application or uniform
7 business entity application as prescribed by the commissioner
8 pursuant to rules adopted under [chapter 17A](#).

9 2. In determining eligibility for licensure under this
10 chapter, the commissioner ~~shall~~ is authorized to require
11 a criminal history check pursuant to section 522B.5A for
12 each individual applying for a public adjuster license to
13 ~~submit a full set of fingerprints with the application. The~~
14 ~~commissioner shall also require~~ and for each individual who
15 will be acting as a public adjuster of a business entity
16 applying for licensure under [this chapter](#) to submit a full
17 ~~set of fingerprints for each individual who will be acting~~
18 ~~as a public adjuster on behalf of the business entity. The~~
19 ~~commissioner shall conduct a state and national criminal~~
20 ~~history record check on each applicant. The commissioner is~~
21 ~~authorized to submit fingerprints and any required fees to the~~
22 ~~state department of public safety, the state attorney general,~~
23 ~~and the federal bureau of investigation for the performance of~~
24 ~~such criminal record checks.~~

25 ~~a. The commissioner may contract for the collection,~~
26 ~~transmission, and resubmission of fingerprints required under~~
27 ~~[this section](#) and may contract for a reasonable fingerprinting~~
28 ~~fee to be charged by the contractor for these services. Any~~
29 ~~fees for the collection, transmission, and retention of~~
30 ~~fingerprints submitted pursuant to [this subsection](#) shall be~~
31 ~~paid directly to the contractor by the applicant.~~

32 ~~b. The commissioner may waive submission of fingerprints~~
33 ~~by any person who has previously furnished fingerprints if~~
34 ~~those fingerprints are on file with the central repository~~
35 ~~of the national association of insurance commissioners, its~~

1 ~~affiliates, or subsidiaries.~~

2 ~~c. The commissioner may receive criminal history record~~
3 ~~information concerning an applicant that was requested by the~~
4 ~~state department of justice directly from the federal bureau~~
5 ~~of investigation.~~

6 ~~d. The commissioner may submit electronic fingerprint~~
7 ~~records and necessary identifying information to the national~~
8 ~~association of insurance commissioners, its affiliates,~~
9 ~~or subsidiaries for permanent retention in a centralized~~
10 ~~repository whose purpose is to provide state insurance~~
11 ~~commissioners with access to fingerprint records in order to~~
12 ~~perform criminal history record checks.~~

13 EXPLANATION

14 The inclusion of this explanation does not constitute agreement with
15 the explanation's substance by the members of the general assembly.

16 This bill relates to the insurance fraud bureau and criminal
17 history checks for licenses granted by the insurance division.

18 The bill clarifies that the insurance fraud bureau has the
19 authority to conduct investigations in all areas under the
20 jurisdiction of the insurance commissioner and also clarifies
21 the law enforcement authority of an insurance fraud bureau
22 investigator. The bill requires the commissioner to dedicate
23 a minimum of two insurance fraud bureau investigators to the
24 investigation of suspected workers' compensation fraud.

25 The bill authorizes the commissioner to require new
26 applicants licensed under the commissioner's jurisdiction to
27 submit fingerprints. The bill does not apply to current Iowa
28 producers in good standing.

29 The bill authorizes the commissioner to require a state
30 and national criminal history check on each applicant that
31 applies for an initial license in Iowa as a resident insurance
32 producer, an initial license or an additional line of authority
33 under a nonresident insurance producer license if a state
34 and national criminal history check has not already been
35 completed, an initial license as a viatical settlement provider

1 or a viatical settlement broker in the state, and an initial
2 license as a public adjuster in the state. In addition,
3 the commissioner may require a state and national criminal
4 history check for a producer, a public adjuster, or a viatical
5 settlement provider or viatical settlement broker that applies
6 for a renewal, reinstatement, or reissuance of a license that
7 has been revoked or suspended.

8 The bill provides that by submitting fingerprints an
9 applicant is authorizing the commissioner to submit the
10 fingerprints to the department of public safety for a state
11 criminal history check and for submission to the federal bureau
12 of investigation for a national criminal history check. The
13 applicant is also authorizing the commissioner to receive the
14 results of the state and national criminal history check.

15 The bill authorizes the commissioner to contract with
16 a third-party vendor for the collection and submission of
17 applicants' fingerprints. The commissioner may agree to
18 reasonable fees to be charged by the vendor and may require
19 the fee to be paid by an applicant directly to the third-party
20 vendor.

21 The bill provides that the results of an applicant's
22 criminal history check are not a public record under Code
23 chapter 22. An applicant's fingerprints and criminal history
24 check are only subject to a subpoena issued in a criminal
25 action or investigation, shall be confidential by law and
26 privileged, and are not subject to discovery or admissible in
27 a private civil action.

28 The bill requires any person operating as either a viatical
29 settlement provider or viatical settlement broker to be
30 licensed and no longer allows an exception for a life insurance
31 producer licensed for at least one year as a resident producer
32 in this state, or the producer's home state, to operate as
33 a viatical settlement broker. The bill no longer permits a
34 license to be issued to a legal entity, as is currently allowed
35 by law, to operate as either a viatical settlement provider or

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1 viatical settlement broker.